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Fresh perspectives

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Impact of EurepGAP on small-scale vegetable growers in Uganda

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Working with the whole supply chain to explore opportunities for securing, upgrading and expanding pro-poor procurement in international horticultural supply chains from developing countries

key messages

- There are currently no active EurepGAP certification schemes in Uganda
- Ugandan horticultural exports are niche crops for wholesale and ethnic markets
- Horticultural exports are predominantly grown by smallholders
- There was steady growth in horticultural exports from the 1990s until 2005, with 2,145 smallholders involved in 2005
- A sharp drop of 40 per cent in smallholder participation in exports in 2005/6 is attributed to fuel prices and private voluntary standards

Production and processing of fresh produce for export to the European Union (EU) is an attractive market opportunity, with ten sub-Saharan Africa (SSA) countries exporting significant volumes of fresh fruits and vegetables to the EU. Smallholders and the rural poor play a significant part in these supply chains. The infancy of this new industry in Uganda, in which there are currently no EurepGAP certified growers, presents both opportunities and threats for future pro-poor agricultural based growth. Uganda's horticultural exports are less developed than in its Kenyan neighbour: 5,600 tonnes in 2005, one tenth of Kenya.

EurepGAP was founded in 1996 by a group of 11 British and Dutch retailers, with the objective of creating a single private sector standard for ensuring food safety and quality of fruits and vegetables from seed through to the farm gate. By 2007, the now 30 retailer members of EurepGAP control an estimated 85 per cent of fresh produce sales to consumers in the EU.

Uganda's export horticulture industry is concerned that lucrative EU markets – where average unit prices can be five times higher than for regional trade – are increasingly out of their reach as private voluntary standards (PVS) become embedded in the industry. An additional worry is small-scale grower (SSG) participation in EU supply chains is falling. These concerns exist at a time when Uganda produces no EurepGAP certified export horticulture but experience of SSG in neighbouring countries and demands from buyers are starting to gain recognition that something must be done to ensure sustainability in this industry.

How does Uganda export to the EU with no EurepGAP certification?

Whilst 97 per cent of Uganda's export horticulture trade to the UK is by air freight, less than 10 per cent is sold in supermarkets; with the majority sold in wholesale markets and through the food service sector. A common export example is the Scotch Bonnet pepper, sold into UK ethnic markets. EurepGAP is not required by these non-supermarket supply chains; rather its entry ticket is compliance with the EU General Food Law.

This indicates a potential for the *upgrading* of the Ugandan export horticulture sector into products, qualities or quantities that are required to enter the dominant supermarket supply chains. However, industry concerns abound that this sector first needs to secure these markets – and PVS are playing a defining role in this.

Export horticulture in Uganda

Horticultural exports to non-African markets from Uganda showed steady growth from the 1990s until 2005, when an estimated 5,600 tonnes (US$5.6 million) were exported by 23 companies. Unexpectedly, export growth to overseas markets fell by 16 per cent in 2006 to 4,700 tonnes and our research indicates that the number of SSGs supplying the export sector had fallen by 40 per cent during 2006, from 2,145 to 1,260.

Our survey indicates a strong correlation between these apparent falls in export volumes and SSG participation. Reasons are complex, with exporters surveyed identifying two chief culprits: rising fuel and freight costs and the increasingly stringent food standards in export markets, in particular EurepGAP.

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>> continued Both reasons combined to squeeze non-EurepGAP compliant produce from trade, raising concerns that future decreases in fuel costs will not result in re-capture of lost markets owing to a lack of EurepGAP compliance.

There is evidence of "standards creep" in the EU, from supermarket supply chains into wholesale and food service sectors. The increasing requirement for EurepGAP compliance is a threat to these wholesale routes from Uganda to EU markets.

Uganda has a number of natural advantages for continued horticultural export growth, such as low cost labour, access to water, and year-round climate for production of specific products (e.g. roses, cuttings, pot plants, hot pepper, chillies, okra, pineapple, and banana). However it also faces a number of constraints, including ineffective coordination of growers, limited cold chain facilities, few incentives to attract FDI, competition from established neighbours and production constraints (lack of improved varieties, poor agronomic practices, lack of appropriate and relevant extension services, and limited access to quality inputs).

Two export companies acquired EurepGAP certification (Option 1) during 2004 but failed to renew their EurepGAP certificates, one of them stating that they now entirely focus on floriculture due to higher margins in that sector. Other industry participants are familiar with the failure of these pioneers in making a success of EurepGAP.

Conclusions

Uganda continues to benefit from export of niche products through wholesale channels to the EU, but there is concern that these are on the decline. The introduction of EurepGAP certification could enable access to these lucrative markets, but there are no guarantees of success.

Uganda appears to be facing a difficult decision over the direction of investment in its export horticulture industry. On one hand, it could follow the high-cost route of EurepGAP compliance to gain access to lucrative markets. On the other hand, it could continue the non-EurepGAP route for the non-supermarket supply chains. Both choices offer risks and benefits (see table below) yet without concerted effort from the national-level industry, and complementary demand from EU trading partners, no change is likely. This is due to two missing elements: an enabling environment and industry commitment.

The enabling environment in rural Uganda remains incomplete. Compliance in the long term is not simply a question of raising standards and practice at farm level. It is essential to make other elements of the agricultural system efficient. Without an enabling environment, compliance is rendered difficult for even the strongest firms. Appropriate markets do not exist for credit, information and business service provision, stifling efficiency and investment.

Securing market share is the most important outcome from EurepGAP compliance within the Ugandan export sector. Compliance could serve to avoid further loss of market shares in Europe and recapture markets that have recently been lost. However, this requires that exporters commit themselves to undergo certification within the coming year. Ideally, the Horticulture Promotion Organisation of Uganda should coordinate this process and ensure that several companies can be certified at the same time, thus avoiding delays and extra costs.

Upgrading to comply with EurepGAP appears possible for some industry participants along the supply chain. Analysis shows an export company would have to sell an additional 53 tonnes and SSGs would have to increase their production by 50 per cent to compensate for additional compliance costs.

Yet, overseas markets are typified by risk and currently all of the initial exporters are seeking market opportunities elsewhere. It is suggested that there are also opportunities in exploring the following market opportunities:

- Cross-border trade in horticultural products in which Uganda has a comparative advantage. For example, matooke, pineapple and apple bananas are already being exported to Kenya;
- Uganda's domestic market is growing due to population growth and changing consumer preferences;
- Processing of fruits and vegetables for the domestic and international markets takes place, albeit on a small scale. This includes drying of fruits such as pineapples and mangoes, and the production of juices.

Stakeholders in the horticultural sector state that with sufficient support from government and donors, there is scope to take better advantage of the horticultural production potential in Uganda and market opportunities. This would require upgrading infrastructure, the availability of finance on favourable terms, and support for the organisation of groups of small-scale outgrowers, given that the latter are likely to form the backbone of the export industry in the foreseeable future. It has been suggested that National Agricultural Advisory Services could play a stronger role in this respect.

Scenario	Opportunities	Threats
1. No EurepGAP: continue with current EU market access (non-supermarket focus)	■ No extra compliance costs ■ Diversification e.g. into organic fruit production or processing	■ Loss of market share due to increase demand for EurepGAP certification
2. No EurepGAP: Focus on African cross-border and domestic trade	■ Lower fuel cost-based risks ■ Focus on regional comparative advantage crops e.g. pineapples and apple bananas	■ Reduced unit benefits and total revenues ■ Zero demand for current niche crops ■ Aggressive regional competition.
3. Upgrade to EurepGAP where possible	■ Securing EU market share. ■ Recapture lost markets ■ New technologies & knowledge transfer increase global competitiveness	■ Costs of upgrading to comply with EurepGAP ushers consolidation ■ Direct Competition with other EU exporters such as Kenya ■ No exporter 'leader' to break into the EU market

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This publication is summarised from Fresh Insights no. 10 'Impact of EurepGAP on smallscale vegetable growers in Uganda' by Ulrich Kleih, Fred Ssango, Florence Kyazze, Andrew Graffham, and James MacGregor, and is available on the project website www.agrifoodstandards.net

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